

AIR POUCH

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(Security Classification)

FOREIGN SERVICE DESPATCH

DATE 7/30/78

FROM

Ambassador, Taipei

Desp. No. 9

Action Assigned to

TO

THE DEPARTMENT OF STATE

Desp. No.

Action Taken

July 6, 1959

REF

OFFICE OF CHINESE AFFAIRS

JUL 15 1959

4/6-11

Date 7/30/78

For Dept.	ACTION	DEPT.
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SUBJECT

Second Plenary Session of Eighth Central Committee of Kuomintang, May 15 - 19, 1959.

SUMMARY:

The Central Committee of the Kuomintang, the ruling party of the Republic of China, having been unable because of the Strait crisis to hold its prescribed annual plenary session in 1958, finally held it at Yangmingshan, near Taipei, May 15 - 19, 1959. Apart from the "clarification" by President CHIANG Kai-shek of his intentions regarding a third term (see Taipei's Despatch 724 of June 15), it was a routine meeting, passing under rather perfunctory review the required reports on Party and Government operations during the last 18 months, and endorsing, rather than re-defining, high national policies. Of considerable interest, nonetheless, is the recapitulation of the GRC posture on counterattack and national recovery, as it has been developed by President CHIANG and Vice President CH'EN since the Joint Communiqué. It is made clear that, at least under present circumstances, the GRC intends to remain faithful to that document and does not intend to initiate aggressive military action. At the same time it is also clear that in the hypothetical event of a full-fledged revolutionary situation developing on the mainland the GRC would use military force. The Plenum reflected an optimistic appraisal of the prospects for a Communist collapse; a major piece of evidence buttressing this optimism is the step-down of MAO, analyzed by the President, at least, as having been forced upon him by his recent failures, notably the "first round" victory of the GRC in the Strait crisis last year. Speakers at the Plenum put the best face possible on the situation and prospects of the Tibetan revolt, but frustrations engendered by the GRC's inability to give concrete aid to the rebels and by the Tibetan's obstinate preference for independence reportedly found expression in remarks from the floor. Little dramatic took place at the Plenum with regard to domestic policies. A largely symbolic change in the title of the Provincial Assembly, the removal of the word "Provisional", was decided, and further administrative reforms were indicated. The long-discussed "reregistration" of Party members, in effect a minor purge, was endorsed in principle, but implementation was referred to the Standing Committee, where it will probably be mooted a while longer. The Standing Committee election put four "new faces" into

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this important group; one of the additions represented a political gesture to the Taiwanese. The appointment of vigorous, tough-minded, but intelligent T'ANG Tsung to the post of Acting Secretary General of the KMT considerably strengthens the Party.

PROCEEDINGS:

The Convening of the Plenary Session: The Eighth National Congress of the Kuomintang, which met in October, 1957, elected a new and enlarged Central Committee, comprising 50 regular and 24 alternate members (versus 32 and 16 respectively for the Seventh Central Committee)¹. Under the Party Constitution, the Central Committee is supposed to hold one plenary session each year. The First Plenary Session of the Eighth Central Committee was held immediately following the National Congress in October, 1957. The Second Plenum would presumably have been convened in the fall of 1958, had not the Strait crisis (commencing with the intensive Communist shelling of Kinmen on August 23, 1958) occurred, and had it not been succeeded by a number of momentous developments affecting the international and internal policies of the GRC: -- the Joint Communiqué issued on October 23, following the DULLES-CHIANG consultations, the President's expression of opposition to a revision of the Constitution at the Mainland Recovery Planning Board meeting December 23, (raising a question as to a third term), the step-down of MAO Tse-tung, and his succession by LIU Shao-ch'i, and the Tibetan revolt which began in March, 1959.

Conduct of the Session: The Second Plenum convened at nine a.m., May 15, in the auditorium of the National War College (formerly the Institute of Revolutionary Practice), a cool and scenic setting on a mountainside north of Taipei. Attendance was not limited to the members and alternate members of the Central Committee; press reports indicate that the general assemblies and some other activities of the Plenum were participated in by as many as 300 ranking Party personages, including Central Committee staff members, Central Consultative Committee members, etc. President CHIANG made an inaugural speech and presided over the preparatory meeting, which elected a seven-member presidium.²

1. For a list of members, see Taipei's "List of Chinese Government High Ranking Officials", copies of which are available in the Department.
2. KU Cheng-kang, CHOU Chih-jou, CHANG Tao-fan, O.K. YUI, CHANG Ch'i-yun, T'AO Hsi-sheng, and TS'AI Kung-nan. Subsequent "general assemblies", numbering nine in all, were presided over by these men, or by the President or Vice-President in the case of the more important sessions. TS'AI, an overseas Chinese from the Philippines, was probably put on the Presidium to give him -- and, vicariously, all overseas Chinese -- "face". The rest are all Standing Committee members.

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The first general assembly session, following immediately after the election of the Presidium, heard a prepared report by outgoing KMT Secretary-General CHANG Li-sheng on Party Affairs and an oral report on the mainland anti-Communist revolutionary situation. There was some discussion of points of emphasis and future tasks facing the Party. In the second general assembly on the afternoon of May 15, with KU Cheng-kang in the chair, formal reports on "Chinese Communist Affairs" and the "Anti-Communist Revolutionary Situation on the Mainland" were delivered by CH'EN Chien-chung (Chief of the KMT's Sixth Section -- Social, Economic, and Political Materials) and YEH Hsiang-chih (Deputy Chief of the Second Section -- Organizations and Activities on the Mainland) respectively. At the close of the day, the Plenum reviewed the reports of the day and turned over its findings to the relevant screening panels (set up by subject -- Political, Military, Party, Foreign Affairs, etc.)

The third and fourth general assemblies, on May 16, heard reports on all major areas of Government, the most important being Vice President/Deputy Director General/Premier CH'EN Ch'eng's Political Report (Enclosure 1), Chief of the General Staff WANG Shu-ming's report on Military Affairs, and the reports of the responsible cabinet ministers on foreign, financial, and economic affairs. Also submitted were written "Work Reports" by Party members serving in the five Yuan. Apart from the "Executive [Yuan] Work Report", which had considerable substantive interest, their reports were mostly dry and formal listings of laws passed, investigations accomplished, cases tried, and procedures completed.

The two sessions on May 17, devoted mostly to a review of the reports submitted earlier, also heard a number of speeches from the floor. Opinions and suggestions for improvements were offered by a number of Party members, including several non-members of the Central Committee. The afternoon session approved a resolution on the "Promotion and Encouragement of the Anti-Communist Revolutionary Movement on the Mainland".

Only one general assembly, the 7th, was held on May 18; the morning was taken up by the weekly memorial service for Dr. SUN Yat-sen, at which President CHIANG provided the major political sensation of the entire Plenum by "clarifying" his intentions regarding a third term. The afternoon session was devoted to considering and approving the reports on military, financial, economic, and Party affairs. The second major resolution of the Plenum, an "Outline of Political Actions for the Mainland Restoration" was adopted.

The eighth and ninth general assemblies, on May 19, saw the routine business of approving the reports on foreign affairs, overseas Chinese matters, and the work of the five Yuan. Some important resolutions, including that of T'ANG Tsung et al for the

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revision and simplification of existing laws and that on the reregistration of Party members, were passed.

Also on the last day of the Plenum, at the end of the Eighth General Assembly, there was the election of members of the Standing Committee.

The meeting came to a close at 6:00, following remarks by President CHIANG.

HIGHLIGHTS:

Plenum's Assessment of Mainland Development and Restoration Prospects:

For a major KMT meeting to fail to spy some improvement in the prospects for a GRC recovery of the mainland would be as if Madison Avenue were to become pessimistic about the chances for whiter teeth. Discounting the large element of propaganda, the proceedings of the Second Plenary Session of the KMT reflected some real increase in the optimism with which the GRC leadership views mainland trends. The optimism stemmed in part from the officially endorsed dialectical analysis of mainland events of the past year and a half. The Chinese Communist "bloom and contend" movement having failed to resolve the "contradictions" between the Peiping regime and the people, the "anti-rightist" campaign was launched. This only heightened the "contradictions", and the intended remedy of the commune system further aggravated them. The bombardment of Kinmen, initiated as a means of diverting the people's attention, backfired, compounding the regime's difficulties, and leading indirectly to the Tibetan revolt.

A major burden of the proof of this analysis is rested upon the interpretation of MAO Tse-tung's resignation as a defeat or "downfall", resulting from the succession of setbacks just described.* There is evidence that this interpretation is that of President CHIANG himself. CHIANG's conviction that MAO will not be able effectively to control the state from his Party position has been reported to be one reason for CHIANG's desire to retain the GRC presidency, and not

*There was apparently a difference of opinion among the Central Committee members regarding the degree to which the USSR was behind MAO's step-down, and the extent to which Russia's control of Peiping has been strengthened by LIU's succession. This showed up in the process of drafting the "Outline of Political Action for National Restoration" (Enclosure 2). The first draft of the preamble of the document referred to the MAO step-down as an "enemy-enforced" reorganization, and declared that the Chinese Communists would now be "under direct control of Russian imperialism", become even more adventurous in their aggression. In the final draft, the quoted phrases were omitted. However, CHANG's Political Report appears to endorse the view that the step-down was Russian dictated, and that LIU's succession will tighten Russian control.

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rest his power solely on his position as KMT Director-General. One of the reasons cited for the removal of MA Hsing-yeoh from the post of Director of the 4th Section (Information) of the KMT is that MA initially approved the release of the opposite view of MAO's replacement by LIU Shao-ch'i: -- i.e., that nothing had really changed, and MAO would continue to run things from behind the scenes.

Although, superficially, the Plenum's analysis of mainland trends thus adds up to an optimistic view that "the Chinese Communists are entering into a phase of total collapse", (as is stated in CH'EN Ch'eng's Political Report) a more realistic appreciation of the situation shows through in the form of two general reservations. First, both in CH'EN Ch'eng's Political Report and in the authoritative editorial comment on the report, the point is stressed that the struggle facing the GRC is an arduous and long-term affair. There is seen a long series of military encounters stretching ahead of the GRC, in which the Strait battle last fall was only the first.

Second, while the Premier states in his Political Report that "the course of the Chinese Communists' decline is in reality our advancement", and declares that "There are none of [the people on the mainland] who do not ... anxiously await our fighting back to the mainland." He warns, in the concluding portion of his Report, that "if our unity is not strong enough, and the efforts we have made are not sufficient, although the Communists are defeated, China may once again fall into a long period of commotion and division due to the lack of revolutionary center force." This is a strong argument for the continuation of the present "revolutionary" one-party structure of the GRC, as a means of strengthening the hand of the GRC in the competition for power which might well follow a collapse on the mainland, and it is in this context that CH'EN advances it. However, it is also about as close as a KMT leader could come in a public address to saying what many Party members will admit privately: that a collapse on the mainland may not automatically result in the restoration of the GRC to power.

The Joint Communiqué and the "Counterattack": References to the Joint Communiqué on a number of occasions throughout the Plenum reflected the intent of the GRC to be faithful to the Communiqué -- as the GRC interprets it. In the portion of the "Executive [Yuan] Work Report" devoted to foreign affairs, the origins and effects of the Joint Communiqué are analysed rationally: "During the Taiwan Strait crisis, international Communism endeavored to take advantage of the weak point represented by the peace-loving psychology of the ordinary people of the Free World, and intensified its intimidation on behalf of the Chinese Communists After the release of the Joint Communiqué, the doubts of the various nations of the free world were largely eliminated; and we obtained increased understanding of the sacred mission of our Government of restoring freedom to our compatriots on the Mainland at an early date."

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The remarks on the subject of the Joint Communiqué in Premier CH'EN's Political Report recapitulate and bring up to date the doctrinal position of the GRC on the "counterattack" as it has developed since the Joint Communiqué. The GRC has "all along held politics as the principal means and force as the secondary." However, this does not mean there has been any change in the objective of counterattack and national restoration. Nor, since politics and military affairs are inseparable, does the Joint Communiqué imply any deemphasis upon military strength. The theoretical course of the GRC's counterattack, as reflected in CH'EN's Political Report and in other Plenum documents, remains that which was implicit in President CHIANG's New Year's Day Message: The "political front" on the mainland will become more and more active, eventually reaching a stage of widespread disorder, sabotage, and disaffection. As the Communists have increasing resort to desperate aggressive actions in the Taiwan Strait, the "military front" in that area will also become more active. Eventually, a peak in the internal difficulties of the Communists will coincide with a new defeat in the Strait, at which time the military and political "fronts" will be joined, and victory will ensue. It is not explicitly so stated but the implication is clear that in this final melding of the political and military fronts the GRC would utilize against the mainland whatever military force it could muster to assert its leadership over the anti-Communist forces and complete the overthrow of the Peiping regime. In the Military Section of the Executive [Yuan] Work Report, one of the resolutions of the Eighth National Congress of the KMT which is cited as still being a guide for military policy is the following: "Continue to promote the mainland revolutionary movement to act in concert with [our] military counterattack."

GRC Posture in the Taiwan Strait: Apart from the plainly hypothetical intentions of the GRC with respect to the "counterattack", the various statements of GRC leaders at the Plenum reflected no intent to initiate the use of military force against the Communists in the offshore islands. Indeed, a central theme of much of the output of the Plenum was the elation of the GRC over the "first round" victory of last fall, and the confidence of the GRC that what might be called its posture of "aggressive defense" was the correct one. Reflected at several points and by various speakers in the Plenum was the realization that a policy of "self-restraint", as practiced in last year's Strait crisis, is necessary to retain the support of the United States and other allies. The GRC is obviously not wedded to a policy of restraint for restraint's sake, and would probably, all other things being equal, wish to respond to any new Communist attack with the strongest counter-blow within its military capability to administer. However, given a continuation of the international climate attending last year's crisis (especially the US attitude), it is evident that restraint would continue to be observed in a new battle.

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The Plenum made it clearer than ever; if that were possible, that GRC abandonment of the offshore island position under present or foreseeable circumstances is unthinkable.

GRC operations on the mainland as a means of pursuing the "political" objective of promoting a revolutionary situation there were stressed repeatedly during the Plenum. The Embassy does not have the text of Chief of General Staff WANG Shu-ming's Report on Military Affairs.

[REDACTED]

One "peaceful" means of pursuing the objective of mainland recovery to which the Plenum devoted much attention was that of psychological warfare. The program of post-recovery reforms, amnesties, and so forth spelled out in the "Outline of Political Action for National Restoration" (Enclosure 2) is designed, like President CHIANG's annual New Year's Day promises of "six freedoms", etc., as a psychological warfare weapon to stimulate dissatisfaction on the mainland and a desire for the return of the GRC.

Tibet: Although it must have been clear to most responsible officials in the GRC by mid-May that the difficulties in the way of effective direct assistance to the Tibetan rebels were well-nigh insuperable, and that the Tibetans were primarily interested in independence, rather than in a general anti-Communist revolution, speakers at the Plenum did their best to gloss over these unpleasant facts.

CH'EN Ch'eng, in his Political Report, acknowledged the existence of "practical difficulties such as the remoteness of Tibet", but still appeared to hold out the hope that they could be overcome. The remarks on Tibet in the military portion of the "Executive [Yuan] Work Report" read as though the difficulties had already been overcome. At the outbreak of the revolt, says this document, "There was at once set up a liaison and guidance center in the Tibetan-Indian border region, wireless communications stations and lines of communication and supply were installed, staff personnel were recruited locally and sent into Tibet Liaison has already been established with Headquarters of the Tibetan Revolutionary Army and with more than ten representatives of Szechwan, Hsikang, Kansu, Chinghai, and other areas, revealing that there is a revolutionary force of about 3,000 men in the Hsikang area, and 7,000 in the South Tibetan area...."

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One interesting feature of CH'EN Ch'eng's discussion of Tibet was his reference to an "international undercurrent attempting to block a link-up of the Tibetan revolution with us". In context, CH'EN's statement implied that some foreign government or governments were not only preventing the Tibetan leaders from cooperating with the GRC, but also encouraging the Tibetans in the "unrealistic illusion" that they can achieve independence or "self-determination before the overthrow of the Chinese Communists".

CH'EN's remarks were taken by most observers (and officially interpreted by the Foreign Ministry, see Taipei's telegram 1212 of May 21) as applying to India. The GRC has been suspicious of the Indian Government's role vis-a-vis Tibet and the Dalai Lama ever since the latter took refuge in India. Later on in his Political Report, where CH'EN referred to the "intrigue" of the "countries concerned" for the "selling out of the Dalai Lama", he was certainly talking about India. However, some observers thought CH'EN's "international undercurrent" remark was directed also at the United States (see telegram cited above). In the reporting officer's opinion, while the major criticism was doubtless aimed at India, there may also have been a minor innuendo of dissatisfaction with the United States' disposition to favor Tibetan independence and shy away from hard-sell exploitation of the revolt.

Little concrete is known to the Embassy of the attitudes on Tibet expressed in private by delegates to the Plenum, or perhaps revealed in the more highly classified reports. [redacted] told Ambassador Drumright on May 21 that the Government had been heavily attacked for not doing enough to help the Tibetans. The Plenum also, according to [redacted] scored the "weak public attitudes" of the Government and its failure to enlist US aid in joint operation to aid the rebels. [redacted] commented to the reporting officer (Enclosure 3) that there was a strong undercurrent of criticism of the Dalai Lama and his entourage in the remarks from the floor, including a long oral statement by a Tibetan delegate. This would indicate an awareness, whatever the content of the official statements, that the failure of the Dalai Lama to declare his loyalty to the GRC is not solely the result of "international undercurrents." The reporting officer has been told [redacted] that some persons in the GRC hold the variant opinion that the GRC should encourage the Tibetans in their desire for independence, as a means of embarrassing the Communists. So far as is known, this opinion was not expressed at the Plenum; nor, presumably, was there any reflection of the feeling said to exist on the part of some Chinese here, of reluctant admiration of the Communist "achievements in sinicizing Tibet" (See Enclosure 4).

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Domestic Policies: There was reportedly a good deal of serious discussion at the Plenum of domestic political policies. According to Dr. WANG Shih-chieh, there were even advocates of the KMT "opposition" doctrine on the "political counterattack": -- a program of political reform aimed at victory over the Communists by example, rather than military force. Not much of this flavor filtered through into the various conference documents -- the formal reports and resolutions. These are full of generalities about "strengthening construction on Taiwan", "making Taiwan a model Three-People's-Principles province", and so on, reflecting an attitude at the top levels of extreme gradualism with respect to political reform, while paying lip service to political progress in implementation of the Joint Communiqué.

One political reform decided on at the Plenum was that of deleting the word "provisional" from the title of the Taiwan Provisional Provincial Assembly. This word has long been a sore point with the Taiwanese, as the visible symbol of the fact that, 11 years after the enactment of the Constitution, the Provincial Government and the Provincial Assembly still do not enjoy the rights and privileges promised under Chapter XI (Local Self Government) of the Constitution. The full implementation of these Constitutional provisions must wait upon the passage by the Legislative Yuan of enabling legislation, in the form of an "Outline of Local Self Government", which has been pigeonholed in the Yuan on KMT orders for the past eight years. An official reason for the "delay" is that the "Outline" should be framed in the light of conditions throughout the whole of China, and not merely Taiwan. Actually, according to some legislators, the KMT was more explicit in its order to shelve the legislation: full self-government for Taiwan, including the right to a popularly elected governor, would impair the ability of the GRC to pursue its objective of returning to the mainland.

While the decision taken at the Plenum was thus aimed at removing a symbol, rather than eliminating the fact of centralization of political control, it was nevertheless a significant step. It is at least a token of the GRC's awareness of the need for political progress at the provincial level. It will at least slightly strengthen the hand of those who advocate further progress.

Taken together with other pronouncements at the Plenum, such as T'ANG Tsung's resolution* calling for the annulment or revision of conflicting, superfluous, outdated, or cumbersome laws and regulations, and a clearer separation of the powers of the Central and the Provincial Governments, the decision possibly foreshadows further concessions of a limited scope.

* Resolution proposed by T'ANG Tsung, CHOU Chin-jou, CH'EN Hsueh-p'ing, CHOU Hung-t'ao, P'ENG Meng-chi, and HUANG Shao-ch'in.

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Party Matters: For the most part, the Central Committee's comments on the work of the Party Headquarters and its instructions regarding future tasks were routine or obvious. The Party's part in the "first-round" victory in the Strait last fall was duly commended, and it was told to strengthen its organization behind enemy lines and take other steps to facilitate victory in the "next round". In the way of domestic tasks, the Party staff was reminded of the approach of the National Assembly meeting next year, to be followed by local elections, and was enjoined to strengthen its preparations for these events. In keeping with the decisions of the Eighth National Congress of 1957, Party workers were advised to bring in more young people at the bottom and strengthen its organization at the local and provincial level.

The Re-registration of Party Members was a matter of more than routine interest. The lengthy resolution on this subject, submitted at the seventh general assembly session on May 18, quoted in enough detail from the President's remarks of July 16, 1958, to the Central Consultative Committee to show the importance CHIANG attaches to this reorganization of the Party ranks. While it is not contemplated that the reregistration would effect a purge as sweeping as that of 1934, says the President, the aim would be to eliminate from the Party ranks all those who would not take an oath to 1) carry out their regular duties; 2) adhere to the national policy of opposing communism, resisting, Russia, counterattack and national recovery; 3) carry out the decisions of the Party Center; and, 4) "have true faith in the revolutionary leadership center," -- used elsewhere in Plenum documents as synonymous with President CHIANG -- "blot out individual favors and grievances of the past, and avoid factionalism." It is the last two points, evidently aimed at the intra-Party "opposition" and especially the remnants of the CC Clique, that have been responsible for the reluctance of the Party leadership to carry out the President's wishes. "Favors and grievances of the past" in Chinese politics cannot be wiped out by fiat, and though the die-hard CC Clique has now dwindled down to an almost leaderless remnant, many important Party personages (e.g., CHANG Tao-fan, KU Cheng-kang, and HU Chien-chung on the Standing Committee) retain memories of past "favors and grievances" which link them to the Clique and which would make a purge of even its die-hard remnant a painful and divisive event.

Nevertheless, in view of the President's strong stand, the Plenum could hardly render a negative decision on the reregistration proposal. Accordingly, the Plenum proposed, and the Party Work Screening Committee recommended, that the reregistration be carried out. It was also decided that the registration of ordinary Party members and Party cadres should be effected by separate (though possibly simultaneous) operations, and that the reregistering cadres would be put through an additional screening process. However, the timing and other details, including the text of the oath to be administered, were left to the Central Standing Committee to

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determine. It is probable that the misgivings of CHANG Tao-fan and some other Standing Committee members will continue to delay implementation of this resolution, but implementation at some future time appears likely. In the reporting officer's opinion, it would be surprising if the re-registration took place before the National Assembly convenes next February 19. With the controversial matter of a third-term for President CHIANG probably on the agenda, there will be divisive forces aplenty at work in the Party, without adding a new one.

The Standing Committee Elections: The composition of the new Standing Committee, which was elected at the end of the eighth general assembly on May 19, brought only a few surprises. The impending departure of SHEN Ch'ang-huan, newly designated Ambassador to Spain, created one obvious vacancy to be filled. G. John MA (Admiral MA Chi-chuang), having lost his position as Vice Minister of National Defense, was no longer in a position to represent the military establishment on the Standing Committee. His replacement by General WANG Shu-ming, Chief of the General Staff, seemed natural at the time, and is intriguing only in retrospect, in view of the early July shelving of the "Tiger". Justice Minister KU Feng-hsiang, who missed a tie for last place by only one vote, is unpopular with his fellow cabinet ministers, and in any case there is some feeling that the Ministry of Justice is not important enough to warrant a place on the Standing Committee. Newcomer HUANG Chi-lu, Minister of Examination, is an able man of 57 whose work during the past year, particularly in connection with administrative reform, has attracted favorable attention. T'ANG Tsung, at 54, is still fairly young (of the Standing Committee members, only CHIANG Ching-kuo at 52, is younger) by the somewhat elevated standards of this revolutionary party organization. He is a tough-minded but intelligent man, with a good record as Secretary General of the Taiwan Provincial Government since 1957 and a succession of important political posts before that.

The fourth new face on the Standing Committee, that of HUANG Chao-ch'in, Speaker of the Provincial Assembly, got there in a manner which heightens its significance. There was a three-way tie for the fifteenth position, with HUANG, HU Chien-chung, and CH'EN Hsueh-p'ing tied at 19 votes all. The normal manner of deciding ties is by lot, but on this occasion, the President himself made the decision that placed HUANG and HU on, left CH'EN off. Nothing against CH'EN Hsueh-p'ing or his great protector, the Vice President, should be read into this decision. As Cabinet Secretary General, CH'EN will continue to attend Standing Committee meetings. In any case, when and if T'ANG Tsung becomes full-fledged (instead of acting) KMT Secretary General, T'ANG will, by custom, withdraw from the Standing Committee, ceding his position to CH'EN. Thus, President CHIANG's decision of the tie was a positive gesture in favor of HUANG Chao-ch'in; a gesture clearly designed to improve the Party's appeal to the Taiwanese. HUANG was and is regarded by his

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fellow Taiwanese as a "mountain" ("mountains" are mainlanders and "half-mountains" are Taiwanese who, having fled to the mainland before the war, returned with the mainlanders after the war to share in the liberation and governing of Taiwan). However, even the Taiwanese independent politicians do not regard HUANG as a mere stooge; he is a man of recognized intelligence and integrity. With CH'IU Nien-t'ai, a Taiwanese re-elected to a second term on the Standing Committee, HUANG's election gives this highest policy body two Taiwanese members.

The political cognoscenti have as usual scrutinized the number of votes cast for each Standing Committee member with a view to determining the relative standing of each (See Enclosure 5). While the vote probably does not give a mathematical definition of the relative political strength of each man, certain features stand out:

1) the high vote for CHIANG Ching-kuo (48 versus 43 for CHOU Chih-jou, the next in order); 2) the well-entrenched position of CHOU Chih-jou, CHANG Tao-fan, O.K. YUI (apparently not hurt much by the impeachment proceedings of 1957-58), T'AO Hsi-sheng, HUANG Shao-ku, KU Cheng-kang, YUAN Shou-ch'ien, and CHANG Ch'i-yun; 3) the rapid drop in the number of votes received by candidates below this well-entrenched group; but, 4) the fact that General WANG Shu-ming, since demoted, received only four votes less than entrenched member CHANG Ch'i-yun.

The Appointment of T'ANG Tsung as Secretary General: Although it did not formally take place until after the Plenum, a firm decision to appoint T'ANG Tsung as Acting Secretary General of the KMT had, according to some highly placed Party members, already been taken well in advance of the meeting. Nevertheless, shortly before and during the Plenum, there was speculation in the press and among political observers to the effect that this important post would go to O.K. YUI, HUANG Shao-ku, or even CH'EN Li-fu (now self-exiled in New York). Linked to the speculation that O.K. YUI would get the post was the even wilder speculation that CHIANG Ching-kuo and CHENG Yen-fen would become his deputies. No factual evidence has been discovered to account for this speculation.

Alexander L. Peaslee
Alexander L. Peaslee
First Secretary of Embassy

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Enclosures:

1. Political Report
2. "Outline of Political Actions for National Restoration"
3. Memorandum of Conversation, [REDACTED]
4. Memorandum of Conversation, [REDACTED]
5. Standing Committee Vote

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POLITICAL REPORT DELIVERED BY DEPUTY DIRECTOR GENERAL
CHEN CHENG AT 3RD MEETING, 2ND PLENARY SESSION, 8TH KMT CENTRAL COMMITTEE

May 16, 1959

(Chung Yang Jih Pao, May 17, 1959)

Director General, members of the Committee, and comrades:

It has been eighteen months since the end of the First Plenary Session of the party's 8th Central Committee. During this period, great advances have been made in our course of opposition to Communism and national restoration. Last year's Taiwan Strait battle and Mao Tse-tung's step-down this year especially enabled us to see more clearly that the Chinese Communists are entering into a phase of total collapse. I would like now to make a comprehensive and summarized report on the situation of the mainland revolution, on international conditions and on the struggles we have carried out in various fields as well as the directions toward which we shall henceforth direct our efforts. It is hoped that the Director General will give his instructions and the comrades their comments.

I. Mainland Revolution Situation

During the past eighteen months, the changes on the mainland have been very great. From the Chinese Communists' bloom and contend movement of 1957 to the anti-rightist campaign, their enforcement of the people's communes last year, their dismantling of the "great leap forward" in steel and iron production, their defeat in the Taiwan Strait battle, to the explosion of the Tibetan anti-Communist revolution, and down to the time of Mao Tse-tung's step-down, all these are a series of occurrences which have fully spelled out that the Chinese Communists are marching step by step toward an ultimate defeat; and the course of the Chinese Communists' decline is in reality our advancement in course of our counterattack and national restoration.

The bloom and contend movement was no less than a public opinion poll held by the Chinese Communists, and the results of the poll have proven the mainland people's extreme hatred of the Communist system, their opposition to the Chinese Communists' tyranny, and their imminent aspiration for our counter-attack.

The Chinese Communists, having discovered this perilous fact, launched the anti-rightist campaign and thereby stepped onto a path still more reactionary and still more certain of defeat. Although the bloom and contend movement was suppressed by the anti-rightist campaign, the contradictions between the Chinese Communists and the people were thereby made more serious and more acute, finally forcing the Chinese Communists to risk the enforcement of the people's commune movement.

The Chinese Communists thought that they could, by instituting the communes, thoroughly control and enslave the mainland people and surmount the contradiction between them and the people. Unfortunately, the facts are entirely different from what

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from what the Chinese Communists thought. The people's commune system aroused more popular, more vehement, and more absolute resistance from the people; even the Chinese Communist Party members and the Chinese Communist armed forces' cadres felt disappointed and began to waver.

The Chinese Communists enforced the commune system because they had failed to settle the contradiction between themselves and the people. But after the introduction of the communes, the contradiction was aggravated. The Chinese Communists can neither advance nor retreat, nor are they able to stop perpetually at the present stage. It is well to say that now the Chinese Communists face complete darkness, and do not know where they should go.

Last August 23, the Chinese Communists, while implementing the people's commune, initiated the Taiwan Strait battle with the obvious intention of diverting the people's attention, so as to facilitate the pushing of the communes. But the result, due to their defeat in the Strait battle, was that the commune met with even stronger resistance. The Chinese Communists suffered a series of internal and external setbacks which was followed by the flare-up of the Tibetan anti-Communist revolution.

Due to this series of major defeats, Mao Tse-tung could not but resign. Mao's oligarchic leadership had lasted more than twenty years; he was held up as a god almost incapable of error; yet now he must shoulder the blame for all the mistakes and step down. This shows the extent of the difficulties and the depth of the crisis faced by the Chinese Communists. It also reveals the heaviness of the Russian blow upon Mao Tse-tung and foretells a stronger Russian control to be imposed on the Chinese Communists hereafter.

Can Mao Tse-tung's resignation enable the Chinese Communists to weather their difficulties and crisis? No; the difficulties and crisis being faced by the Chinese Communists are basically reflections of the defeats of Communism and the Communist system themselves, and the consequences of the Chinese Communists' wanton ambitions.

Mao Tse-tung's downfall is a very important step by the Chinese Communists toward their final defeat. Liu Shao-ch'i is more defiant, more wanton, more cruel, and more radical. Therefore, his coming up will usher in a strengthened Russian control on the one hand, and will definitely expedite the Chinese Communists' downfall on the other. Moreover, it will add to Russia's burdens and quicken Russia's defeat.

Though there are internal reasons for this series of setbacks suffered by the Chinese Communists, the unwavering solidity and the uninterrupted progress we have achieved on Taiwan are a major factor in accelerating their defeat, because our solidity and growth have kept alive the aspirations of the masses of the people on the mainland, given them anti-Communist courage and confidence, and become a principal propelling power for the mainland anti-Communist revolution. The Taiwan Strait battle especially tolled the funeral bell of the Chinese Communists, shook their foundation, and strengthened the mainland people's anti-Communist faith.

The mainland

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The mainland people, psychologically, have also undergone a great change in the past years. When the Chinese Communists first seized the mainland, a portion of the people still entertained illusions concerning the Chinese Communists, and were totally disillusioned with us. After the Chinese Communists launched the "three antis" and "five antis" campaigns and after they proceeded with redoubled pace to oppress and squeeze and impose intensified terror upon the people in general, the illusions of these people were shattered; they began to hate the Chinese Communists and to miss us. But they are still skeptical about our ability to counterattack the mainland and our conduct after a counterattack. At present, the mainland compatriots can no longer tolerate the Chinese Communists' persecution. There are none of them who do not long for our Director General and anxiously await our fighting back to the mainland for their speedy rescue. On our part, we are not just waiting for the Chinese Communists to collapse by themselves. We are continually strengthening our operations on the mainland and developing the anti-Communist organizations and forces there to accelerate the collapse of the Chinese Communists.

After the Chinese Communists put the people's communes into force, our revolutionary operations on the mainland may have faced more technical difficulties, but ^{taking} the revolutionary environment as a whole, the enforcement of the communes is gradually making way for the explosion of a general revolution.

Mainland operations are the central link in our counterattack and national restoration. Henceforth, we must make more efforts in all fields to develop the task of "counterattacking the mainland from the mainland". To effect the mainland revolution, no foreign forces will be depended upon, and especially, no nuclear war will be touched off. The combining of the mainland revolution with the Taiwan Strait battle will make an unparalleled and paramount contribution to the preservation of world security, freedom, and peace.

II. International Situation

1. Understanding of General International Situation

During the past eighteen months, the international situation has changed greatly, and, especially in the wake of last year's Taiwan Strait battle, the relative situation of the enemy and ourselves showed a dramatic change. These changes, in general, can be summed up in the following points:

First, the United States strong and firm policy and the democratic nations' solidarity and cooperation dealt merciless blows to Russia's nuclear intimidation strategy, in the Middle East, in the Taiwan Strait, and in West Berlin, and heightened the free world anti-Communist determination. Furthermore, the fact that Russia was compelled to exercise caution in stirring up troubles in the Middle East; that the Chinese Communists lacked the nerve to enlarge the Taiwan Strait war; and that Russia moved so carefully in West Berlin, gave further proof that solidarity and firmness are an effective way to check the enemy's expansion, to prevent war, and to preserve peace.

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Secondly, it has been the consistent strategy of the Communist bloc to utilize nationalism in Asia and Africa to divide the Free World's solidarity, and facilitate its infiltration and subversion. However, after a test of facts, the Afro-Asian countries have now discovered that the real enemy of nationalism is Communism. So they are, one after another, beginning to take anti-Communist steps. From North Africa through the Middle East, to Southeast Asia, the clash between nationalism and Communism is becoming more widespread and acute. The development of such a tendency will lead to a great change in the international situation.

Thirdly, the so-called neutralism, due to the open clash between nationalism and Communism and the threat posed by the Communist bloc's political infiltration and economical expansion, has begun to decline. From North Africa through the Middle East, to Southeast Asia, anti-Communist strength is beginning to gather momentum in various countries. Especially in the Southeast Asian area, many pro-Communist regimes have been replaced by anti-Communist ones; and the Tibetan revolution is serving particularly to wake up the Indian people and arouse their indignation, and is facing Nehru's "neutralism" with a pitiless examination.

Fourthly, the movement toward anti-Communist unity in Europe, due to the European countries' awakening and solidarity as well as the United States support and cooperation, has made some fine achievements. The emergence of the 5th Republic in France and the progress of the European mutual economic system have dealt Communist influence in Europe a heavy blow and sent it into a general decline. On the part of the Communist bloc, the cul-de-sac of Russia's nuclear intimidation everywhere, and the Chinese Communists' defeat in the Taiwan Strait have frustrated the Communist Bloc's offensive, and as a result, it is showing internal shakiness and restlessness. Behind the Iron Curtain, the people's extreme fear of nuclear war, their enthusiastic pursuit of freedom, and their pressing demand for better living, all are aggravating and sharpening the rivalry between the Communist ruling bloc and the Iron Curtain people.

At the present time, Russia and the Chinese Communists are pushing a strategy of neutralizing Europe and Asia in order to save themselves from their internal and external crises. In Europe, they attempt to obstruct German unification, to neutralize West Germany, and further to disintegrate the NATO. In the Middle East, they have changed in their aggression from indirect warfare into direct intervention, by positively intensifying infiltrative and subversive activities. In the Far East, Russia's principal tactic is to stabilize the Peiping regime and conquer Asia by means of the Peiping regime's political influence. But due to our firmness in the Western Pacific, the Peiping regime has not only been unable to be stabilized, but its foundation grows shakier day by day. For this reason, the Asian countries' anti-Communist determination is also growing stronger day by day.

A special feature of the general international situation today is that in the free world, the anti-Communist determination and strength, and the solidarity and cooperation thereof constituted, are being strengthened all along the line; whereas the Communist bloc is faced by aggravating internal and external difficulties.

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Nevertheless, in the free world, there are also many hidden worries.

The first worry is the war-fearing psychology of the ordinary people. They are still unable to understand fully that solidarity and firmness are the only really effective ways to avoid war.

The second worry is the ordinary people's lack of a correct and profound comprehension of the Communist bloc and Communism. They, therefore, still entertain the illusion of compromise, appeasement, and co-existence. In reality, this illusion is the real factor that creates war.

The third worry is a few countries' shortsightedness and selfishness in putting their nation's supremacy ahead of collective security. They frequently seek unilateral and temporary interests in preference to, or even at the cost of mutual and long-range interests.

Thus, although the general tendency of the international situation is trending in our favor, during the course of this shift, there will still be devious and complicated changes. Therefore, in our international struggle, our path is still a difficult and perilous one.

2. International Situation and Our Diplomacy

Talking about the international environment and our diplomacy, I should particularly point out that international views regarding the Chinese Communists in recent years are very different from those of the past. In the past, there was an exceedingly serious misapprehension abroad, to the effect that the Chinese Communists had already effectively controlled the mainland, the status quo there could not be altered again, and the more time passed, the more illusory would be our hopes of recovering the nation. However, because of the Chinese Communists' bloom and contend movement, the people's communes, the Taiwan Strait battle, and the Tibetan revolution, international views on the Chinese Communists and ourselves have changed greatly. People have seen from these events that the Communist despotic rule over the mainland people is built on a very fragile foundation, and they have seen that the status quo on the mainland is definitely alterable. Therefore, the matter of how we now strengthen this international comprehension with more facts is a key point for changing our international environment as well as carrying on the important tasks of our diplomacy and publicity.

Strengthening the solidarity and cooperation between China and the United States is a central task toward which our efforts have been directed. During the last year and more, Chinese-American cooperation in the political, military, economic and cultural fields has achieved notable progress. At the same time, last year's Taiwan Strait battle and our political and economic strides in recent years not only have proven that Chinese-American cooperation can stand the test of war, but fully demonstrated that the two countries' cooperation is a lever governing the preservation of security in the Western Pacific and the Far East.

Conclusion

Internationally,

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Internationally, we should not only strengthen Chinese-American cooperation, but should at the same time ~~enhance~~ our cooperation on all fronts. During the past year or so, our political, economic, and cultural relations with the countries of the Middle East, Southeast Asia, Australia, Africa, Europe, and Latin America, all have shown remarkable improvement.

We feel deeply that economic relations have a great influence on political relations in the international diplomatic field. Particularly in the case of the new Afro-Asian countries, economic and cultural relations are more important than political relations. So, we should henceforth particularly strive to promote our economic cooperation and cultural interflow with various countries.

To strike at the international conspiracy of the Russians and Chinese Communists in order to protect our legal position in the United Nations is a very important but difficult struggle. During the past year and more, there was a total of 37 attempts by Russia and pro-Communist countries to expel our representatives from the United Nations and other international organizations. In all, there have been 300 similar attempts. All have resulted in failure. However, the number of members of the United Nations is gradually increasing. As more new countries emerge and the size of the United Nations continues to increase, we must pay particular attention to the development of this situation and fully promote our relations with other countries, and especially with the new Afro-Asian countries.

Last year's Taiwan Strait battle proved one truth, that is, the key point in altering the international situation and strengthening international cooperation is our own bitter struggle. For this reason, in the complicated and changeable international environment, we must be firm and brave, and in international cooperation, we must strive toward independence and self-reliance; and it is still more necessary that we be able to stand the test of war.

III. Our Political and Military Strategies

1. Two Great Events -- Taiwan Strait Battle, Tibetan Anti-Communist Revolution

The Taiwan Strait battle and the Tibetan anti-Communist revolution are the two great events of the past year which have served to change the whole situation in the East; they are also two important milestones on our way toward counterattack and national restoration.

a. Taiwan Strait Battle

Last August 23, the Chinese Communists initiated the Taiwan Strait battle. After more than 40 days of tense war, the enemy suffered a miserable defeat while we won a glorious first round victory.

This battle proved that our military progress can stand the test of war. The officers and men of our Armed Forces, in both fighting spirit and technique, as well as in joint operation, ~~turned in an excellent performance~~ and achieved glorious feats of war.

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When the enemy unleashed the Strait war, we calculated the respective situations of the enemy, of our friends, and ourselves; and decided upon three major principles: 1) Firmness, 2) Self-restraint, and 3) to fight bravely and hard.

By the firmness of an action, we wanted to boost civilian and military morale; to resist the pressure of international appeasement; to firm up our friendly nation's determination. By our self-restraint, we desired to strengthen Sino-American solidarity and cooperation and to smash the enemy's plot to sow discord between us by spreading rumors. By our brave and hard fighting, we desired to deal a blow to the enemy's adventurous opportunism and win international sympathy and support.

During the Strait battle, owing to the blind fear abroad of an extension of the conflict, we were not able to take action in the nature of an effective counter-blow, or to mete out severe punishment to the one who had started the trouble. In reality, had we taken effective counter-offensive action, not only would the battle not have been enlarged, but the enemy might have realized sooner that he was in trouble, and retreated.

The effect of the Taiwan Strait battle is important and great.

This battle has laid bare the fact that the Chinese Communists only appear to be strong. It has reduced the international fear of the Chinese Communists and strengthened the anti-Communist determination. This is particularly true in the Far East countries.

This battle has served to encourage the mainland people, shaken the foundation of the Chinese Communists and Mao Tse-tung's leadership, and aggravated the Chinese Communists' difficulties.

This battle has exposed the Chinese Communists' hidden ambition and enabled the world to understand that the Communist attack on Chinmen and Matsu is merely a step in the attempt to conquer the Western Pacific and the Far East.

This battle has smashed Russia's nuclear intimidation policy and proved concretely that a strong and firm policy is the effective way to check the enemy's expansion. Further, it has solidified the firm stand of the West on the West Berlin problem.

We must be on guard against the fact that the Chinese Communists will not be able to swallow their defeat in this battle meekly. According to intelligence reports, the Chinese Communists are positively strengthening military deployment along the sea coast, building communication lines and airfields. Big caliber guns, aircraft, and warships are being increased. They may even invade us with paratroopers. Judging from a variety of circumstances, the Chinese Communists may touch off a new Strait battle at any moment.

We deeply understand that the enemy, so long as he has not been dealt a fatal blow, will inevitably be biding his time to launch a new attack. Therefore, when last year's Strait battle came to a temporary end, we began to

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construct and repair fortifications and airfields, to stockpile foodstuffs and ammunition, and to strengthen our combat capability in preparation for giving the Chinese Communists an even heavier blow in the next round.

Regarding the strengthening of our defenses and war preparations on the off-shore islands, details will be given in a separate report. What we want to emphatically point out is, the test of war is very ruthless. Inability to stand the test of war damps all hopes and offsets all accomplishments. If we can stand the test of war, we can then march step by step toward the ultimate victory. So, we must abandon the psychology of opportunism and the fool's paradise of peace-at-a-price and, at the same time, heighten our vigilance and to strengthen our preparations in order to accept the enemy's challenge and fight for an even greater victory.

b. Tibetan Anti-Communist Revolution

In its general nature, the Tibetan anti-Communist revolution is quite clearly one component of the mainland compatriots' over-all anti-Communist revolution. At the same time, it also involves complicated international relations. Our attitude toward the Tibetan anti-Communist revolution is to extend sympathy with the Tibetans' demand for self-determination on the one hand and to try our best to give them substantial support on the other. There is now an international under-current attempting to block a link-up of the Tibetan revolution with us. But cold facts have already proved that it is an unrealistic illusion for the Tibetans to achieve self-determination before the over-throw of the Chinese Communists' tyrannical rule.

At the time the Tibetan revolution broke out, President Chiang Kai-shek proclaimed specifically that "regarding the future political system and position of Tibet, when the Tibetan people can freely express their will at the time the Chinese Communist regime is thrown out, the Government will, in accordance with the principle of self-determination, fulfill your aspiration." This announcement not only demonstrates the spirit of our nationalism, but also is a great encouragement to the Tibetans.

Our support to the Tibetan anti-Communist revolution has been hindered by practical difficulties such as the remoteness of Tibet and complicated international concerns. But we are trying to overcome difficulties in order to carry out the following tasks:

(1) To strengthen our direct liaison and cooperation with the Tibetan anti-Communist revolutionary forces, to try our best to give them substantial support, and to encourage and support the Tsinghai, Sikang, and Yunnan anti-Communist forces along the borders of Tibet so as to enable the Tibetan anti-Communist forces to wage a firm and long-term campaign.

(2) By means of Government's appropriations and civil fund raising drives, to relieve our loyal compatriots and revolutionary leaders who fled Tibet and to try our best to bring them to Taiwan.

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(3) To extend the Tibetan revolution's international effect, to deal the Chinese Communists moral blows, and to appeal for international support of the Tibetan revolution.

(4) To prevent the Chinese Communists from luring the Dalai Lama back to Tibet as well as countries concerned from the intrigue of selling out the Dalai Lama.

From both the political and the military viewpoint, it is seen that the Tibetan revolution will develop into a long-term and lasting struggle in which the Chinese Communists will become so entangled that they can never extricate themselves.

2. Chinese-American Joint Communique

Since the release of the Sino-American Joint Communique, there have come into existence two different views at home and abroad. One is that we have executed a camouflaged abandonment of the objective of counterattack and national restoration, the other is that since politics is taken as the principal means for counterattack and national restoration, the maintenance of military strength at the present level is no longer necessary.

The first view comes from the failure to understand that the current anti-Communist war is in reality a revolutionary war; and a revolutionary war is mainly dependent on the people's hearts and not entirely on military force. As a matter of fact, in the strategy of our revolutionary war, we have all along held politics as the principal means and force as the secondary. In relation to this point, the Director General of the Party made clear in his New Year's message of 1959. Our comrades must understand that whatever the circumstances may be, our objective of counterattack and national restoration is absolutely not subject to change; it is absolutely impossible to change it.

The second view comes from a failure to understand the inseparability of politics and military affairs. The main battlefield on the mainland and the branch battlefield in the Taiwan Strait are inseparable. Politics needs military affairs to be its rear guard while military affairs needs politics to be its vanguard; and the mainland anti-Communist revolution and the military action to defend the Taiwan Straits should be made complementary to each other, which means the beginning of our counterattack and national restoration.

We must understand that military force itself is a means to win and to preserve the people's hearts, and particularly a prerequisite to encourage and act in concert with the mainland anti-Communist revolution as well as to safeguard the security of Taiwan. On the other hand, the weakening of our force not only would endanger the defense of Taiwan and the security of the Western Pacific, but would suffice to encourage the enemy's aggressive ambitions in the Western Pacific and prompt him to redouble his pace for provoking war in the Taiwan Strait, the Western Pacific, and Southeast Asia. This point is fully proved by last year's Taiwan Strait battle.

3. Elite

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3. Elite Forces Policy

In the military field, the Director General has instructed us that we must carry out an elite force policy in order to achieve local military supremacy. The so-called local military supremacy means, in a single battlefield, the force that can be employed by the enemy has a maximum limit, and on the basis of this maximum limit, we can surpass the enemy. In the ratio of our total force to that of the enemy, it is impossible for us to surpass the enemy. But in the employment of force in a localized area, we can make ourselves superior. We must understand in particular that when the Taiwan Strait war is linked up with the mainland revolution, the proportion of our strength to that of the enemy will undergo a drastic change, enabling our total strength to surpass that of the enemy.

In order to implement an elite forces policy to achieve local supremacy, we should make efforts in the field of personnel, spirit and technique, and fire power.

In personnel, the main thing is the conduct of servicemen's retirement. Officers and men unfit for military service will be resettled so as to improve the quality of servicemen. For the past years, retired servicemen and those resettled due to unfitness for military service have totalled more than 80,000. The operation is continuing and will be strengthened in order to keep the troops always young.

With regard to the retired servicemen and those unfit for military service, the Government still has a need to give them vocational assistance, education, and medical service, as well as to see that they are under good care. These are rather complicated and heavy tasks. A slight carelessness in these operations will suffice to cause serious social problems. We, therefore, must have plans and carry out these works step by step.

At the same time, in order to make the Armed Forces healthy, we must improve the conscription system for strengthening the training and registration of reservists and reserved officers. An important task ahead is a reform of the conscription law for advancing the military service age so as to keep the troops young, to stabilize society, and to minimize the difficulties of the Government and the people.

In the respect of education and training, we have established a sound military educational system to give officers and men better political and military education. For improving the fighting spirit and combat techniques of officers and men, particular stress has been placed in the Armed Forces' joint operation, amphibious warfare training, and frequent war exercises. Besides these, we have put reservists' collective education into effect. When necessary, reservists can be mobilized.

In an effort to improve weapons and equipment, the Army is strengthening its fire power and mobility as well as combat and logistic support. Warships and aircraft of the Navy and Air Force are being replaced with newer models. In addition,

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addition, troops equipped with modern arms are being set up missile units, big caliber gun units, self-propelled gun units, sound and flash observation units, and water transportation detachments.

Progress made in the military aspect for the last year is most conspicuous, and progress in reality is a matter of overcoming shortcomings and difficulties. But, despite our having made greater military strides than ever before, there are still many shortcomings and difficulties to be overcome by our further efforts, if we are to carry out thoroughly the elite forces policy and attain modern standards.

4. Current Economy and Finance

a. Economic Development and Foreign Trade

Whether from the standpoint of the reconstruction of Taiwan or that of a counterattack upon the mainland, the development of our economic strength should be considered as a most basic and important task. Taiwan is an island, and in order to develop its economy, foreign trade should be developed through an increase of agricultural and industrial production on the one hand, and the increase of agricultural and industrial production should be stimulated through the development of foreign trade on the other.

The economic development at the present stage is conducted under the principle of cultivating industry with agriculture and developing agriculture with industry after an assessment of Taiwan's economic environment. From 1957, we started the execution of the 2nd 4-year economic development plan. During the last two years, agricultural and industrial production has been remarkably increased. With 1952 as the basic year, the industrial production index in 1957 was 176.6%, and that in 1958 was 141.5. Due to the increase of agricultural and industrial production, the national income is also showing increase year after year. The total national income in 1957 amounted to NT\$30,142,000,000 at the current value, representing an increase of 15.7% over the previous year. The national income in 1958, according to a preliminary estimation, totalled to NT\$31,900,000,000 at the current value, or an increase of 6% over 1957.

For the past year, although agricultural and industrial production and the national income have shown a steady increase, the ratio of increase is not very big. The insufficient investment is still the basic reason. During the last year, the Government has made consistent efforts in various fields to increase investment under the basic principle of improving the investment environment so as to channel idle capital to productive reconstruction and to encourage overseas Chinese and foreigners to make investment on Taiwan.

For improving the investment environment, the chief objectives we have striven for are a gradual lifting of controls and a broadening of the enterprise freedom, with the aim of making the people willing to invest in productive reconstruction and enterprises to grow normally. For the past year, the Government has adopted measures toward a gradual relaxation of economic control, the implementation of foreign exchange and trade reform, a taxation reform, encouragement of people's saving, the founding of a development cooperation,

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cooperation, preparations for establishing a securities' market, assistance to people's investment in establishing industrial plants, guidance to private enterprise of management reform, assistance to applicants for U. S. aid and the Development Fund loans, improvement of monetary policy and banking practices, accommodation of production capital, and assistance to enterprises in the floating of corporation bonds.

For encouraging investment by overseas Chinese and foreigners, relevant regulations have been revised to broaden the scope of investment. Communications service and business helpful to economic and social development have been added; restrictions on outward remittance of investment profits have been liberalized; procedures have been simplified; measures governing the importation of materials have been revised; and the tax burden has been lightened.

So far as the economic environment of Taiwan is concerned, the development of foreign trade is actually the principal means of developing this island's economy. For this reason, parallel with the increase of agricultural and industrial production, we are making particular efforts toward the development of foreign trade, simplification of import and export procedures, implementation of the uniform foreign exchange rate, improvement of the foreign exchange application and screening system, elimination of license transference, reduction of controlled export items, realistic adjustment of export floor prices, facilitating processed goods' export, granting tax rebate to processed goods' export, revision of measures governing loan to export items, elimination of harbor dues on exports, strengthening of the examination of export commodities, exploration of international market, and strengthening of economic relations with and commercial activities in foreign countries.

Due to efforts made in different quarters, progress has been achieved in foreign trade for the past year. Taking foreign trade in 1958 as an instance, besides sugar and rice, other exports made by private quarters have created the highest record since the restoration of Taiwan. As to imports, because of the increase of domestic production for the past year, the need of import has been lessened. Foreign exchange spent on imports in 1958 showed a decrease of 8% comparing with that in 1957. Compared with the figure of the Government's foreign exchange used on imports in 1957 alone, the favorable trade balance in 1958, not counting American aid imports, represented a raise of approximately 23.3%, or the highest record in all these years.

International trade competition is now getting more acute. Therefore, in order to continue the development of foreign trade, our efforts in different fields should be strengthened. On the part of the Government, it should continue to improve the foreign exchange and trade control, to minimize various obstructions to foreign trade, and intensify economic activities directed toward foreign countries. On the part of the civilians, they should strive to improve enterprise administration and management, to lower costs, to improve the quality of products, and to raise commercial credit.

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b. National Finance and People's Livelihood

Talking about current national finance, we are still overcoming difficulties occasioned by progress". The main character of the so-called "difficulties occasioned by progress" are the needs caused by mobilization and war, social and economic progress, the increase of population, and the expansion and strengthening of administrative management, all of which have increased the Government's financial expenditures. At the same time, the increase of tax income and productivity in society cannot catch up with expenditures, while the Government does not want to add more to the people's burdens. Thus the Government is faced with financial difficulty. The principal task in the financial field is to achieve a balanced budget. The financial situation in 1958, because of the Chinmen artillery battle and other reasons, was one in which expenditures exceeded by a good deal the original budgetary amounts. Regardless of various efforts made to open up new financial sources, revenue and expenditure have not met. Therefore, as a remedy, it has been decided to float an issue of NT\$400,000,000 short-term national bonds.

In the financial aspect, henceforth, we still have to continue our efforts for the development of new resources and the curtailment of unnecessary expenses. The basic task of developing new resources still lies in our efforts to increase agricultural and industrial production as well as to raising of the national income. At the same time, taxation should be thoroughly straightened out, payment of tax arrears should be urged, and tax evasion should be prevented, so as to enrich the national treasury. For straightening out tax income, the necessary steps are to improve and revise taxation and tax laws as well as the tax administration, to simplify collection procedures in order to make levy fair, reasonable, and convenient. Taking the personal income tax for instance, in the past, for a family of five members, the minimum taxable annual income after deduction and exemption was NT\$6,800, and the number of families liable to this tax was 570,000. Since the minimum taxable annual income after deduction and exemption was raised to NT\$21,600 last year, the number of taxable families decreased to 110,000, or 460,000 less than in the past. Superficially, it has incurred a tax income loss of more than NT\$20,000,000, but in reality, because of the numerical deduction of taxable families, tax income can probably be increased as this tax can be levied more exactly. As to other tax laws, their revision is being studied and discussed according to the advantages and disadvantages resulting from their enforcement and a study of the realistic social conditions, for the purpose of establishing a sound tax system. For curtailing unnecessary expenses, our budget policy must be formulated on the basis of an over-all need. The principle of "points of emphasis" should be decided upon, and the practices of improper concentration and equal allotment must be corrected. Important and urgent tasks must be carried out with concentrated financial power. As to non-urgent and unimportant ones, they can either be deferred or shelved. Only by so doing, can the limited financial power be used more effectively. The Central Government budget for FY 1959 was prepared under this principle.

A problem which greatly concerns all of us at the present time is the livelihood of military, civil service, and educational personnel. We should strive to seek a solution for this problem. However, the total national income amounts

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amounts only to NT\$32,000,000,000. The average annual per capita income is only a little more than NT\$3,000. Therefore, a thorough settlement of this problem must still be sought through our efforts to promote production and the national income.

During last year's Taiwan Strait battle, the economic life in the rear area was kept normal and stable from the beginning to the end, in contrast to the mess on the Communist-held mainland. This proves that we have already a sound foundation for our economic life. At present, the Chinese Communists are intensifying their military deployment in preparation for provoking a new war in the Taiwan Strait. Therefore, in the financial and economic fields also, war preparations must be strengthened so as to fight for a victory in the second round.

IV. How to Fight for a Second Encounter Victory

Last year's Taiwan Strait battle caused a big forward step in the revolutionary situation on the mainland and in international anti-Communist solidarity. The Chinese Communists are now intensifying their military deployment for provoking a new war, and we therefore should redouble our efforts in all respects, preparing to win a victory in second round in the Taiwan Strait. As we know, victory in a war is decided by preparations prior to the war. Only by having sufficient preparations before a war, can we assure a victory when the war comes. If preparations prior to the war are insufficient, it is impossible to win the war.

As we all know, we still have many struggles ahead before we can win the ultimate victory. But we must seize every opportunity and win in each struggle. In the time and space of our counterattack and national restoration, each struggle is an opportunity and a path. During these struggles, the Chinese Communists' successive setbacks will contribute to their ultimate defeat while our successive victories will lead to our ultimate victory.

The struggle between the enemy and us is an absolute and long-term one. So long as the enemy exists, our struggle will not cease. Therefore, we must heighten our vigilance and live in combat. At the end of each combat, we should make efforts to prepare to accept the next one, and during the combats, we must be united body and soul and fight bravely and hard so as to win greater victories.

Since the counterattack and national restoration is a long-term struggle, we must even more faithfully follow the Director General's instruction that we take wartime as peacetime, and take peacetime as wartime. Based on this conviction, not only should the Government unify the demands of wartime and peacetime and bind them closely together; even individuals, in their lives and works, should also base their efforts on this principle.

Dear comrades, looking at it from the objective basic situations, we are absolutely optimistic regarding the prospects for our counterattack and national restoration. Today, Mao Tse-tung has been defeated by us; in the future, we shall see the collapse of the entire bogus Chinese Communist regime. However, if our unity is not strong enough and the efforts we have made are not sufficient, the Chinese Communists' defeat does not necessarily mean our success. In that case, although the Communists are defeated, China may once again fall into a

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long period of commotion and division due to the lack of a revolutionary center force. Therefore, our unity and efforts are not only the decisive force to defeat the Chinese Communists, but also a force to translate chaos into tranquility after the defeat of the Chinese Communists.

As clearly indicated by facts, the real settlement of the China problem lies in the Chinese people's own awareness and efforts, and no one can settle this problem for us if our own awareness and efforts are insufficient. Understanding this, then we should know that only our own awareness and efforts are the most reliable means to guarantee our national restoration, and only when we ourselves can continue the resolute and consistent struggle, will international cooperation develop in favor of our objective of national restoration.

Dear comrades, this party and the leadership of the Director General are of incomparable importance to our counterattack and national restoration. In the past, the enemy tried first to disintegrate our party and attack the leadership of our Director General in their attempt to take over the Government reins. We can still recall our sufferings at that time. In order to complete our sacred mission of counterattack and national restoration, we must, on the one hand, strive to make the party healthy and to make it the real propelling power of the revolution. The party's foundation is built on its members. Therefore, the health of the party hinges on whether or not the party's members, especially its cadres, can immediately make up their minds.

On the other hand, we must be loyally and sincerely obedient to the leadership of our Director General and preserve this spiritual center of the revolution. What the Director General expects of the comrades is that they correct the undesirable characters of falsehood, selfishness, and strife among themselves, as well as the undesirable habits of seeking peace at any price, any lack of ambition, and irresponsibility. Therefore, we must work hard toward that "revolution of the mind which must precede the actual revolution." The matter today is, either success or failure is total. We should particularly realize the great pains taken by the Director General in his responsibility to restore the nation. Each of us should stand on his working post to perform the responsibility he should and to contribute such efforts as he is able. They should swear to carry the blood-shedding war against the Chinese Communists to the end with all their bright patriotism.

As we know, this anti-Communist and national restoration struggle is a duel between incompatible good and evil ideologies. The nearer the victory is, the more difficult will our struggle be. On the eve of a total collapse by the Chinese Communists, we should further firm our faith, strengthen our unity, concentrate our strength, and intensify our struggle. Under the leadership of the Director General, we should devote all our time to planning and working, utilize without reserve every piece of manpower and material to the best advantage, and, with one heart and like mind, complete the sacred mission of national restoration and delivery of our compatriots. I wish the health of the Director General and that of the Committee Members and comrades.

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OUTLINE OF POLITICAL ACTIONS FOR NATIONAL RESTORATION

(Central Daily News, Taipei, 19 May 1959)

(Text is somewhat abridged.)

The so-called "People's Commune" on the Communist-held mainland today is the ultimate end of the brain-washing and exploiting policy that has been implemented toward the mainland compatriots during the past years, and also the bursting point of an all-out anti-Communist revolution to be launched by the Communist-controlled compatriots with a deep-seated grudge against the Chinese Communists.

Under the people's commune system, all the compatriots on the mainland have no private life and no surplus potential strength after being completely squeezed by the Communists for the Russian imperialists to proceed with an aggressive war. The aggressive war has already started in the Taiwan Strait.

Under the leadership of President Chiang, the Government of the Republic of China is building the Taiwan ruled by democracy and law into a base for the counterattack and national restoration. As soon as the China mainland is restored, the Government will rebuild the Republic into a free, unified modern country of the people, for the people and by the people.

We firmly believe that the central leadership of President Chiang will certainly ensure our decisive victory in the counterattack and national restoration task. All the comrades of this Party will unite with all patriotic compatriots and determined people of various circles, and march along hand in hand with them under this central leadership.

In order to cope with the current anti-Communist revolutionary situation, we hereby submit the Guiding Principles Governing Political Actions for National Restoration in conformity and the platform adopted by the 8th Congress of this Party and the six freedoms and three guarantees announced by the President:

1) As prescribed in the Constitution of the Republic of China, all citizens of this country, irrespective of sex, religion, race, class, or party affiliation, shall be equal before the law, and discrimination enforced by the Communists against the people will be ended.

2) Personal freedom and freedom of living shall be restored to the people, and all freedoms of speech, publication, assembly, association, academic research, religious belief, marriage, employment, labor, leisure, residence, and change of residence shall be protected.

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3) The Communist people's commune system shall be completely eliminated. All the properties of the people's communes shall be reasonably disposed of in accordance with the common will of the people, and various free and secure systems shall be re-established according to our experience in enforcing the Three People's Principles in Taiwan.

4) The family system of the mainland people shall be restored in order to develop the nature of filial piety and paternal affection, thus enabling them to accomplish their respective duties of supporting the old and rearing the young, enjoy a family life, and promote the happiness of life. All the tyrannical policies enforced by the Communists for "collectivization of life" shall be abolished.

5) Husbands and wives who have been ordered by the Communists to live separately or to marry against their own will shall have their own free choice, and the labor service that has forced women to forsake their children and engage in work beyond their physical strength shall be eliminated.

6) The people's right of private property shall be protected; the people themselves shall enjoy their remunerations earned by labor and handle their wealth accumulated through their own enterprises.

7) The "Land-to-Tillers" system shall be enforced. Farmsteads, farming tools, and cattle shall belong to the farmers who do the farming by themselves, and they shall operate them and enjoy the crops by themselves.

8) The slave labor system and all tyrannical policies of exploitation and persecution enforced by the Communists shall be abolished, and a reasonable wages and working hour system shall be established.

9) The free market system shall be resumed with commercial business left to the people's free operation. At the early stage after the mainland is restored, all factories and mines shall remain as they are to continue production under the management of their respective anti-Communist property-protecting personnel, who shall be given special interests according to their respective achievements.

10) The intellectuals on the mainland shall be relieved of the control, insults, and persecution imposed on them by the Communists; personal dignity shall be protected; the position of scholars shall be respected; and research work and invention shall be encouraged with awards.

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11) The slavery education and forced labor that are harmful to the young people on the mainland shall be abolished. Young students shall be given proper education and allowed to develop their talents according to their respective characters and wishes.

12) The rights and interests of overseas Chinese shall be protected; the livelihood of the dependents of overseas Chinese shall be maintained; overseas Chinese students shall be provided convenience for their coming to Taiwan for advanced schooling; and overseas Chinese shall be given the first priority for re-establishment of their enterprises on the mainland.

13) The Tibetan anti-Communist movement shall be supported. After the mainland is restored, the political system and standing of Tibet shall be decided upon according to the principle of self-determination to meet the wishes of the Tibetan compatriots.

14) Religious beliefs, customs and habits, and written and spoken languages of all races shall be respected. Religious literature and culture, and temples and religious implements plundered of or burned and destroyed by the Communists shall be rebuilt or repaired with the assistance of the Government.

15) All political parties or civic organizations on the mainland that have participated in the anti-Communist operation shall, regardless of their past political standings, enjoy equal and legal interests and cooperate with the Government in setting an ideal example for party politics in accordance with the Constitution.

16) All Communist party, government, and military elements who have covered the anti-Communist revolution with evidence or who have done nothing to disturb the anti-Communist revolutionary operation, shall have their security protected and be awarded according to their services. Those who are able to instigate defection and adversely influence the Communists shall be given high position without exception.

17) All anti-Communist elements on the mainland, no matter whether they have participated in any of the Communist organizations, shall be supported provided that they can establish anti-Communist organizations or anti-Communist armed forces. Recognition shall be given to those who have destroyed Communist strength and established local anti-Communist regimes.

18) The Communist leaders that have brought calamities to the country and the people shall be severely punished according to law.*

* This paragraph did not appear in either draft of the "Outline" as printed in the official record of the Plenum. Presumably it was added as an after thought, for domestic consumption.

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From Ambassador, Taipei

MEMORANDUM OF CONVERSATION

DATE: May 27, 1959

PARTICIPANTS: [WANG Shih-chieh, Minister without Portfolio]
David L. Osborn, American Embassy

301(b)

SUBJECT: Developments at the KMT Central Committee Meeting.

1. National Policies; Tibet:

So far as national policies were concerned, [redacted] thought the Central Committee meeting had simply confirmed existing policies, adding little or nothing new. There was no criticism of the Joint Communiqué, and in fact there were some corridor discussions in which the Communiqué was used as an argument for broader domestic political reforms. On Tibet, there was of course strong feeling in favor of the Government's getting some assistance to the rebels, but no new ideas were put forward. One feature of the discussion of Tibet was the distrust expressed as regards the Dalai Lama and the "reactionary" ruling class that surrounds him; these misgivings were voiced most clearly in a speech by the Tibetan observer who attended the plenum, but were shared by the majority of those in attendance, Wang said.

2. Regularization of Provincial Assembly:

[redacted] confirmed that action will be taken soon by the Executive Yuan to remove the designation "provisional" from the title of the Provincial Assembly. However, he said this was a very minor reform, a reform in name only, and did not imply any significant enlargement of the Provincial Government's powers; the real regularization of the status of the Provincial Government, including making the governorship elective, is a long way off. [redacted] continues to favor such broader reforms, but sees no near prospect of their realization. At the same time, [redacted] said it was important that the minor reforms be continued. He referred in this connection to the implementation of one of WANG Yun-wu's reform recommendations, under which the Executive Yuan, in the exercise of its power to review all measures passed by the Provincial Assembly, is required to refer back to the Provincial Government for discussion with the Assembly all vetoes, or any significant revisions of the Assembly's measures. This not only gave the Assembly a little more prestige, but also it gave the Assembly a chance to argue points at issue with the Central Government, and in some cases to reach compromises satisfactory to both sides.

3. Personnel Shifts:

[redacted] thought the four new faces on the Standing Committee were neither very surprising nor significant, though it was of some interest that the President had personally intervened to put HUANG Ch'ao-chin on the Committee, when he might have chosen CH'EN Hsueh-p'ing. This was clearly a gesture for the benefit of the Taiwanese, [redacted] thought. It did not, however, represent a down-grading of

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Ch'en Hsueh-p'ing, or through him a blow at Ch'en Ch'eng; it was probable that T'ANG Tsung, as Acting Secretary General of the Party (and it would certainly be the case if he is made full Secretary General) will give up his Standing Committee seat, thereby enabling Ch'en to be reinstated. KU Feng-hsiang dropping from the Standing Committee, [redacted] thought, is the natural result of his lack of popularity with the Central Committee, due to his mishandling of the Ministry of Justice. Nevertheless, [redacted] did not anticipate any change in the Cabinet growing out of the Committee meeting; even Ku, he thought, would be retained.

On T'ang Tsung's designation as Acting Secretary General [redacted] commented that T'ang was an excellent choice. In spite of his military background, T'ang has an "open mind"; he is able and intelligent. The press rumors during the plenum, to the effect that O. K. YUI was to be made Secretary General and CHIANG Ching-kuo and CHENG Yen-fen his deputies, were completely without foundation, according to [redacted] so far as he knew, no consideration had been given to such a change.

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From Amembassy, Taipei

MEMORANDUM OF CONVERSATION

PARTICIPANTS:

CH'I Shih-ying, Member of Legislative Yuan
David L. Osborn, Counselor of Embassy for Political Affairs.

DATE:

April 21, 1959

SUBJECT:

Tibet.

when I asked him what sort of opinions the Legislators expressed about Tibet in private, said there were some who, while roundly condemning the excessive brutality and high-pressure methods of the Communists in trying to modernize Tibet and incorporate it into China Proper, nevertheless felt one had to admire some of the Communists' achievements, notably the reported movement of a million ethnic Chinese into Tibet. "The Communist regime will pass away in twenty or thirty years," say these legislators, "but this expansion of the Han racial domain is a lasting achievement." said there was some feeling that the theocratic social system of Tibet had to be eradicated in any case. The Communists were doing it the wrong way, but they were saving work for the GRC after recovery of the mainland.

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MA CHI-chuang 1
KU Feng-hsiang 18
CH:EN Hsueh-ping 19 Not elected

HU Chien-chung 19
HUANG Ch'ao-ch'iu 19
CH'IU Nien-t'ai 20
HUANG Chi-lu 24 (28 by another count)
T'ANG Tsung 24 (28 by another count)
WANG Shu-ming 31
CHANG Ch'i-yun 35
YUAN Shou-chien 36
KU Cheng-kang 37
HUANG Shao-ku 38
T'AO Hsi-sheng 38
O.K. YUI 41
CHANG Tao-fan 41 (42 by another count)
CHOU Chih-jou 43
CHIANG Ching-kuo 48

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LIST OF VOTES CAST FOR STANDING COMMITTEE MEMBERS

5/20/54